

## Abbreviated Summary

### City Light Rate Proposal 2007-2008

Courtesy of the Seattle City Council Energy and Technology Committee

*This outline provides an abbreviated summary of some elements of the new rate proposal. It does not cover all of the issues, but rather presents a quick overview for your convenience.*

- **AVERAGE RATES: Average rates represent the costs City Light expects to charge customers throughout the areas where City Light provides service.**
  1. Average System Rate for the two year period decreases by 4.1% over the time period covered by the proposal.

2006: \$60.71	2007: \$58.06	2008: \$58.23
---------------	---------------	---------------
  2. Average Base Rate for two year period decreases by 4.8%. Base rates are rates before specific adjustments.
  3. One year Rates: If Rates were established for each year separately, City Light estimates they would change by:

2007: -7.7%	2008: +5.8% (from 2007)
-------------	-------------------------
- **REVENUE REQUIREMENTS: Revenue Requirements represent the amount of revenue that City Light estimates will be needed from retail customers to cover operating and maintenance expense and to meet current financial policies.**
  1. Retail Revenue from sales to customers

2007: \$551.4 million	2008: \$563.5 million
-----------------------	-----------------------
  2. 7% Rate of Return requires earnings of

2007: \$141.1 M	2008: \$117.4 M
-----------------	-----------------
  3. Net Wholesale Sales which represent the difference of surplus power sales less market purchases

2007: \$178.9 M	2008: \$140.7 M
-----------------	-----------------
  4. Operating and Maintenance Expense

2007: \$130.9 M	2008: \$133.4 M
-----------------	-----------------
  5. Capital Program (excluding Conservation and Deferred Charges)

2007: \$163.5 M	2008: \$187.0 M
-----------------	-----------------
  6. Financial Policies

2007: 66.9% LT Debt as % of Capitalization
95% Confidence of Sufficient Revenue
2.31 First Lien Debt Service Coverage
2008: 62.7% LT Debt as % of Capitalization
95% Confidence of Sufficient Revenue
2.12 First Lien Debt Service Coverage

- **COST OF SERVICE: A Cost of Service Study allocates costs to customers and determines the share of the total revenue requirements to be collected from each customer class.**
  1. No Gradualism: Gradualism is a policy tool that is used when customers in a particular class or rate would experience changes that are significantly different than the average. In this Cost of Service Study, City Light proposes that fully allocated costs to be paid by all classes with no such adjustments.
  2. Marginal Cost Study: A marginal cost study allocates costs to customers based on the incremental cost to serve that customer or customer class. City Light does not use marginal cost but estimated percentage shares based on its method of determining marginal cost.
  3. Embedded Costs: An embedded cost study allocates costs based on the actual average historical costs of the utility with adjustments based on forecasts. City Light did not submit an embedded cost study.
  4. Customer Classes: Most utilities separate customers into residential, commercial, industrial and government classes and then allocate costs on this basis. City Light classifies customers as residential, small general service, medium general service, large general service, high demand, and street-lighting with further separations for suburban, Tukwila, and Network customers.
- **RATE DESIGN: Rate Design develops the structure and components (fixed, energy, or capacity) of each rate.**
  1. Gradualism: *See explanation above.* City Light proposes to revise some rates but not to reflect the full amount that should be charged for some components.
  2. Fixed charges: Fixed charges do not change with the amount of energy or the demand on the system. City Light proposes to increase Small General Service and Large General Service charges starting in 2007 and adds a new charge for Medium General Service rates at an unknown time during the next two years.
  3. Demand Charges: Demand charges reflect impact on the capacity of the system to provide service. Beginning in 2007, City Light proposes to increase this charge for Large General Service and High Demand Customers both on and off peak.
  4. Deletions: City Light proposes to eliminate the Variable, New Large Load, and Interruptible rates in 2007.
  5. Additions: City Light proposes to add new charges for Pedestrian Lights and a new rate for Small General Service customers located on the Downtown Network starting in 2007.